



**Victrex plc**  
Half-yearly results  
**2013**

# Introductions

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Dave Hummel  
Chief Executive



Steve Barrow  
Finance Director

# Business Highlights

## *Resilience in challenging market conditions*

- Revenue and earnings per share ahead of last year
- Group gross margins maintained
- Continued investment in key growth programmes
- VICTREX PEEK capacity expansion on track
- Cash generation remains strong
- Interim dividend increased by 15%

# Group Income Statement

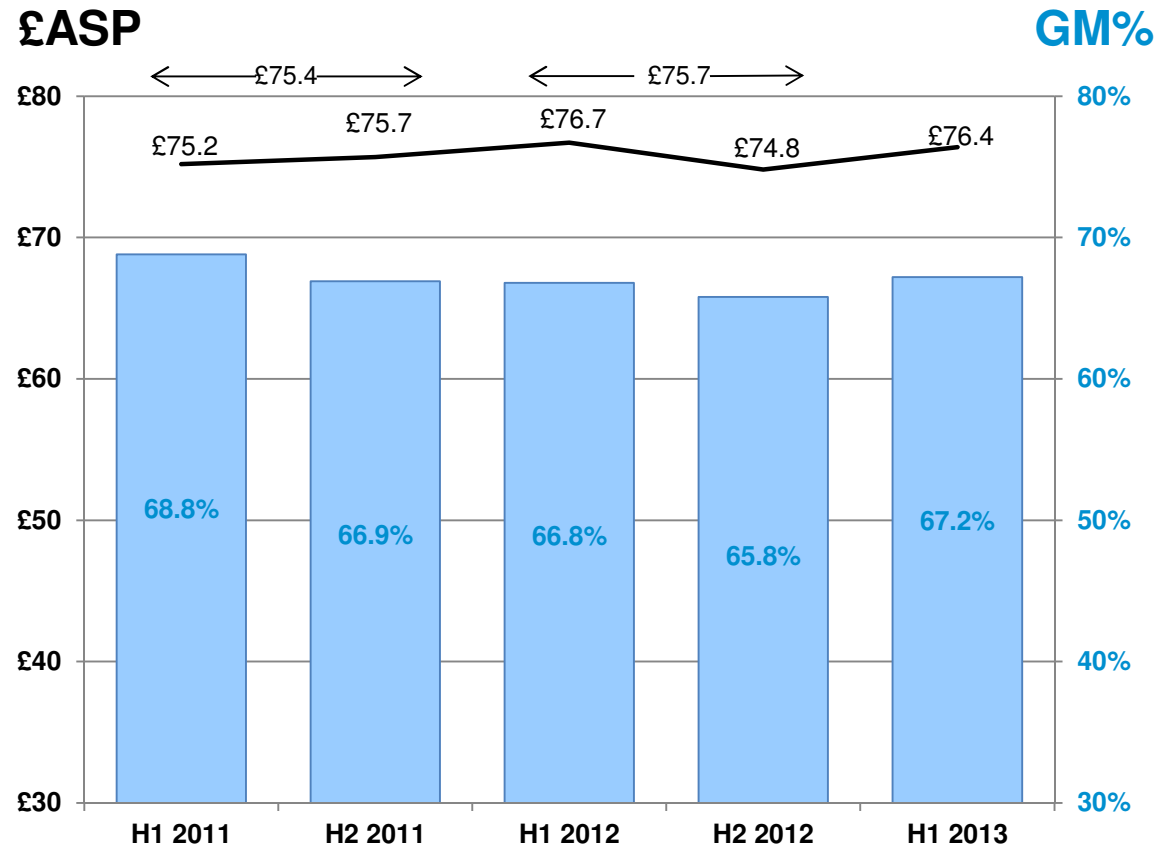
Six months ended 31 March	2013 £m	2012 £m	Change %
<b>Revenue</b>	<b>106.4</b>	105.6	<b>1%</b>
<b>Gross profit</b>	71.5	70.6	<b>1%</b>
<i>Gross margin %</i>	<i>67.2%</i>	<i>66.8%</i>	<i>0.4 % pts</i>
<b>Overheads</b>	<b>(26.1)</b>	(24.7)	<b>6%</b>
<b>Interest</b>	<b>0.3</b>	0.3	-
<b>Profit before tax</b>	<b>45.7</b>	46.2	<b>(1%)</b>
<b>Earnings per share</b>	<b>41.7p</b>	41.6p	-

- Continued investment in resources and key growth programmes
- Reduction in effective tax rate from 24% to 23%

# Business Unit Income Statements

Six months ended 31 March	VPS			Invibio		
	2013	2012	Change	2013	2012	Change
	£m	£m	%	£m	£m	%
<b>Revenue</b>	<b>82.2</b>	80.1	<b>3%</b>	<b>24.2</b>	25.5	<b>(5%)</b>
<b>Gross profit</b>	<b>50.0</b>	47.9	<b>4%</b>	<b>21.5</b>	22.6	<b>(5%)</b>
<i>Gross margin</i>	<i>60.8%</i>	<i>59.8%</i>	<i>1.0% pts</i>	<i>88.8%</i>	<i>88.6%</i>	<i>0.2% pts</i>
<b>Overheads</b>	<b>(16.8)</b>	(15.3)	<b>10%</b>	<b>(7.5)</b>	(7.6)	<b>(1%)</b>
<b>Operating profit</b>	<b>33.2</b>	32.6	<b>2%</b>	<b>14.0</b>	15.0	<b>(7%)</b>

# Group Gross Margin



- Strong ASP and GM%
  - Favourable product mix
  - Speciality products
- Full year GM% guidance in line with H2 2012 as expected

# Currency Update

## Average exchange rates

	2012 H1	2012 Year	2013 H1	2013 Year *	Exchange rate sensitivity #
<b>\$/£</b>	1.59	1.59	1.57	1.57	<b>£4.3m</b>
<b>€/£</b>	1.18	1.17	1.19	1.21	<b>£3.6m</b>
<b>¥/£</b>	130	126	127	127	<b>£0.7m</b>

- The impact on 2012 profit before tax of applying these 2013 indicative exchange rates would be a reduction of £1m

\* 2013 year estimates based on forecast sales volume, currency hedging already in place and spot exchange rates as at 30 April 2013

# Management estimate of impact on full year PBT from a 5% movement in full year average exchange rate

# Group Cash Flow Statement

Six months ended 31 March	2013 £m	2012 £m
Operating profit	45.4	45.9
Increase in inventories	(4.4)	(6.3)
Increase in trade and other receivables	(2.1)	(3.8)
Decrease in trade and other payables	(4.4)	(8.6)
Depreciation	5.3	4.7
Other	1.3	(0.4)
<b>Cash generated from operations</b>	<b>41.1</b>	<b>31.5</b>
Tax paid	(11.9)	(13.7)
Capital expenditure	(16.0)	(12.1)
Dividends paid	(23.9)	(20.5)
Other financing activities	0.9	0.9
<b>Net decrease in cash and cash equivalents</b>	<b>(9.8)</b>	<b>(13.9)</b>

- Capital investment in PEEK and BDF capacity
- Indicative capital forecast:  
2013: £40m      2014: £65m      2015: £40m
- 15% increase 2013 interim dividend (~ £9m)



# Group Balance Sheet

	31 March 2013 £m	30 September 2012 £m
PPE and intangible assets	166.7	153.7
Inventories	53.7	48.6
Cash	74.3	83.9
Trade receivables and other assets	41.1	39.5
Retirement benefit obligations ('RBO')	(9.7)	(4.0)
Trade payables and other liabilities	(52.1)	(50.6)
<b>Equity shareholders' funds</b>	<b>274.0</b>	<b>271.1</b>

- Planned inventory increase due to phasing of production campaigns
- RBO reflects increase in market expectation of long term inflation

# Victrex Polymer Solutions

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victrex<sup>®</sup>

# VPS Highlights

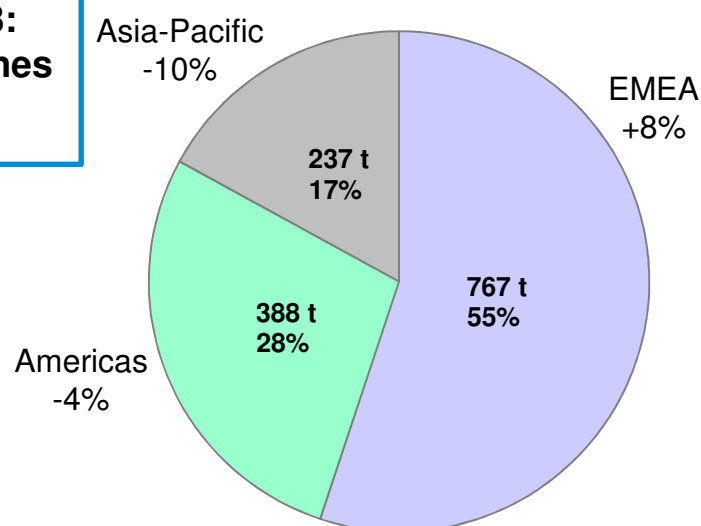
## ***Resilience in difficult global economic conditions***

- Revenue growth
- Progress in speciality products
- Average selling price and gross margins strong
- Continued investment

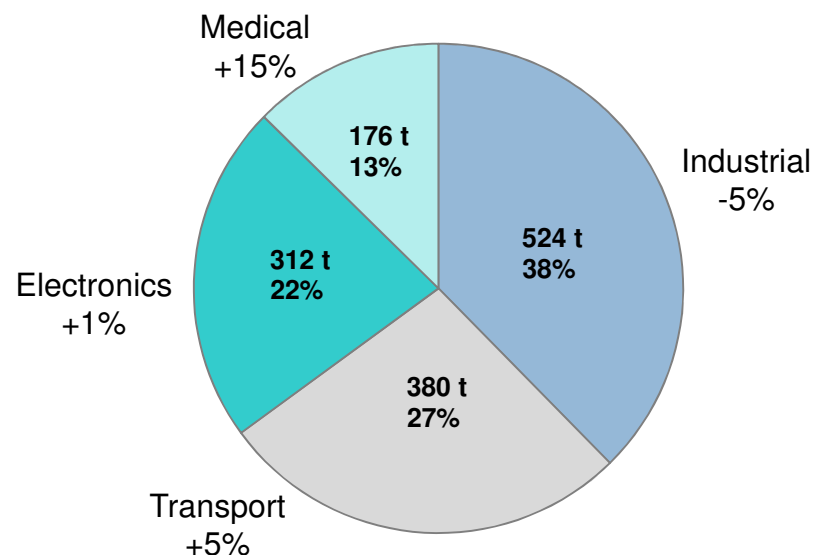
# Group End Markets

By Region

**H1 2013:**  
**1,392 tonnes**  
**+1%**

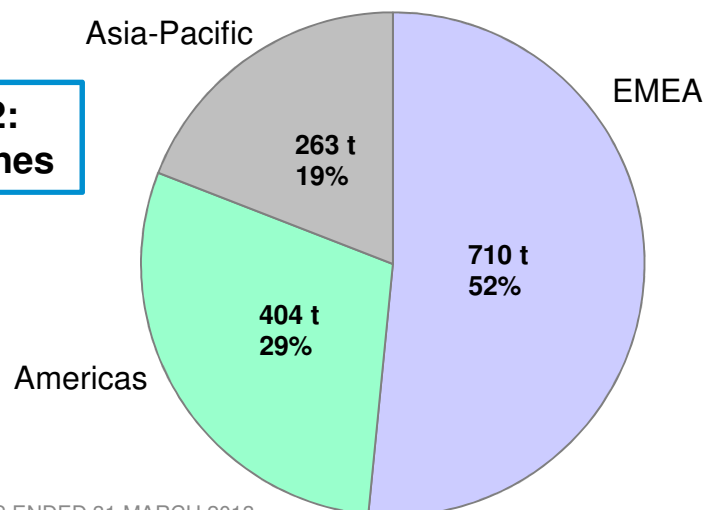


By Industry

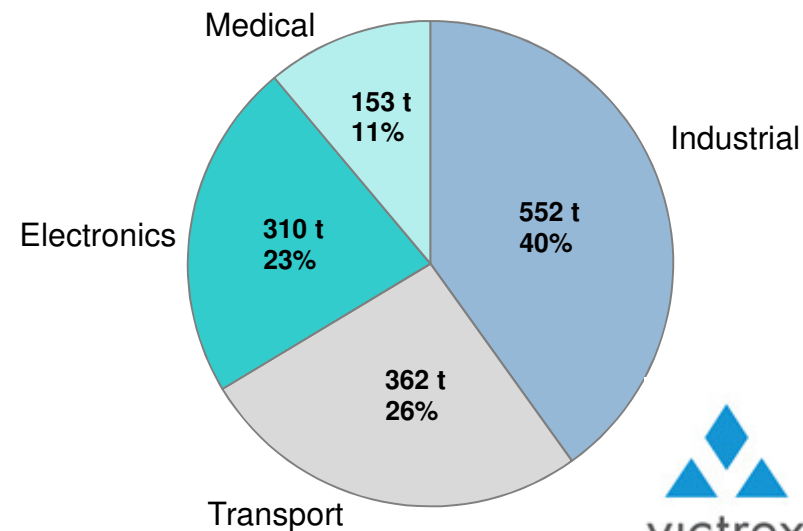


Asia-Pacific

**H1 2012:**  
**1,377 tonnes**



Medical



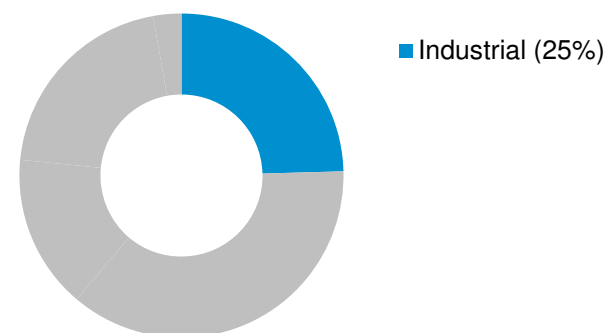
SIX MONTHS ENDED 31 MARCH 2013

# VPS Market Highlights - Industrial

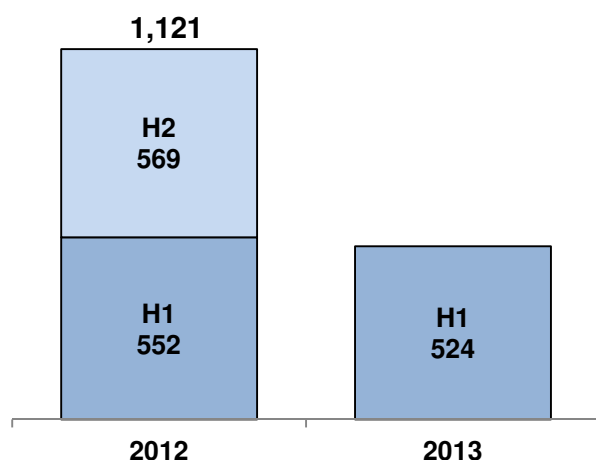
## Growth Drivers

- Deeper, hotter, higher pressure, more aggressive
- High oil price > \$60-80/bbl drives exploration
- VICTREX PEEK proven track record
- Magma progress

## Development Pipeline



## Sales Volume (tonnes)



## Industry status

- Volume down 5% on H1 2012
- Oil and Gas:
  - Reduced rig count towards end 2012
  - Megatrends play to our products strengths
- Industrial machinery and equipment:
  - Stable demand

# VPS Market Highlights - Transport

## Growth Drivers

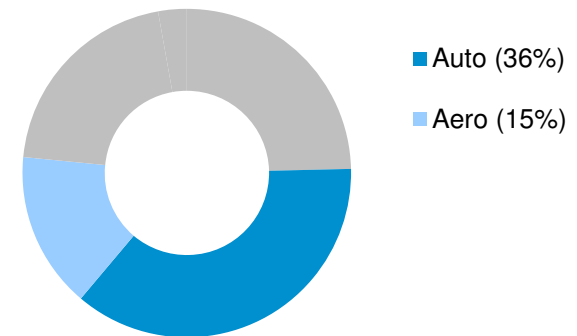
### Auto

- Hotter, higher pressure operating environments
- Car production CAGR 4-5%, China premium market slowing
- Displace incumbent materials to meet regulatory performance

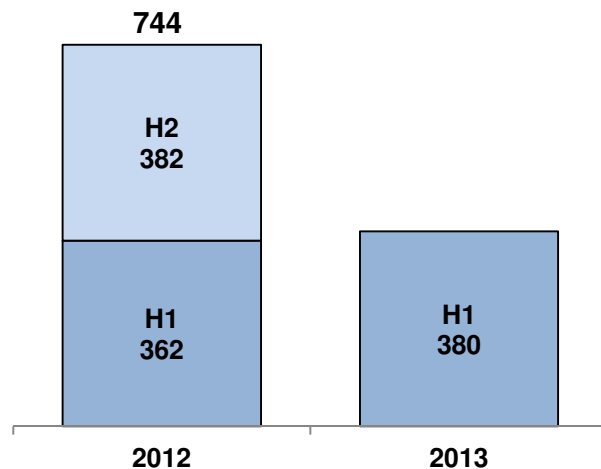
### Aero

- Jet fuel cost increasing
- Aircraft OEMs running huge order backlogs
- VICTREX PEEK certified by all major OEMs and regulators
- Up to 80% lighter than traditional aerospace materials

## Development Pipeline



## Sales Volume (tonnes)



## Industry status

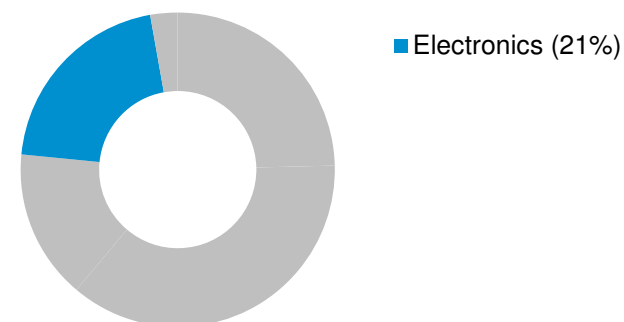
- Volume up 5% on H1 2012
- Automotive: global demand maintained
- Aerospace: expanding global opportunities
- New application development
- Market penetration

# VPS Market Highlights - Electronics

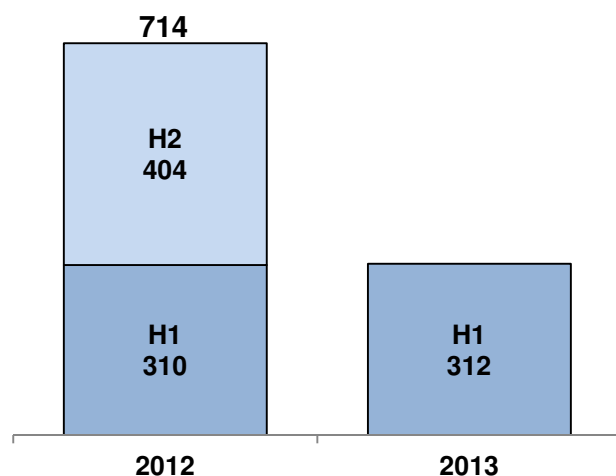
## Growth Drivers

- Thinner, smaller, smarter devices
- Energy and thermal management challenges
- APTIV® films create design opportunities resulting from inherent durability

## Development Pipeline



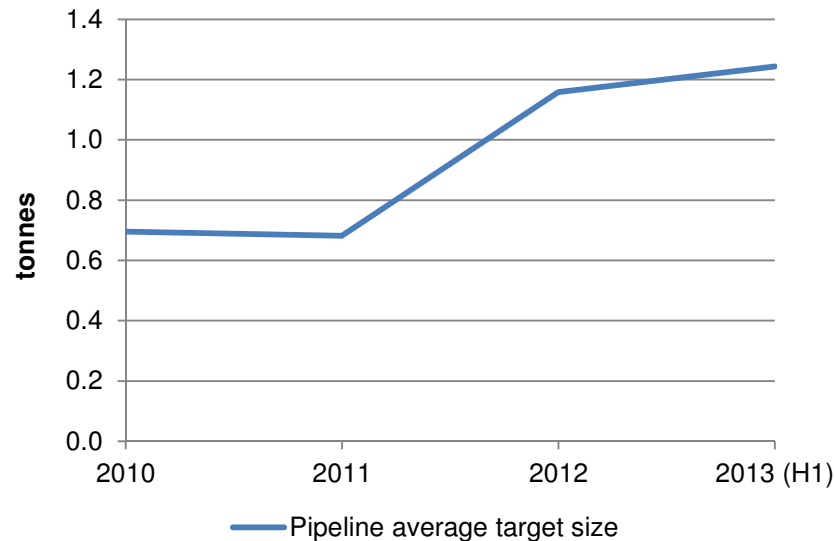
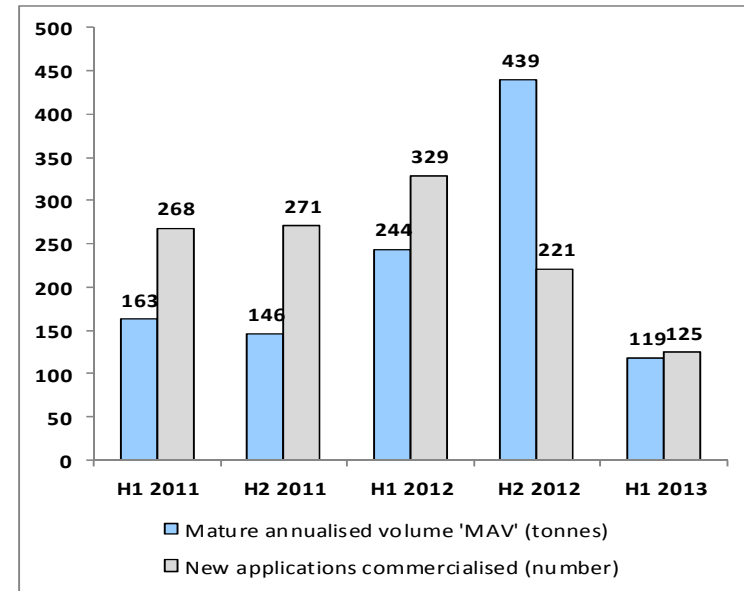
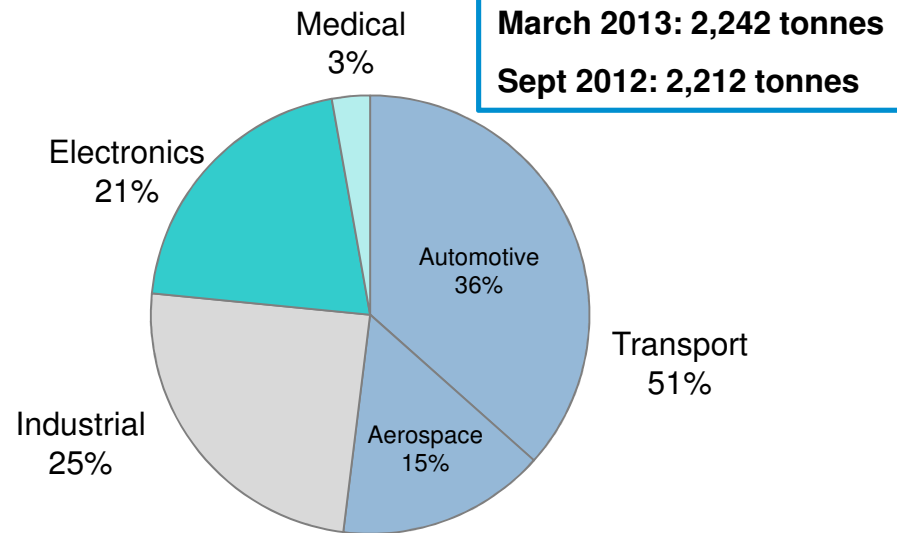
## Sales Volume (tonnes)



## Industry status

- Volume in line with H1 2012
- Consumer electronics growth:
  - Cyclicalities of new applications
  - Opportunities for APTIV films
- Semiconductor manufacturing:
  - Lower capital investment in Asia

# VPS - Development Pipeline



- Strong and diversified pipeline
- Focus on impactful targets
- Strategic marketing to target increased market penetration
- Progress on key growth programmes

# Speciality Products



- Investment in downstream product forms to accelerate adoption and drive growth
- Strong H1 performance driven by APTIV film
- Targeting specific markets
- Developing process capability and new product solutions
- Future investment opportunities

# VPS - Outlook

## Regional view

Asia-Pacific

EMEA  
Americas

Japan

Optimistic

Neutral

Cautious

## Global market view

Aerospace  
Consumer electronics

Automotive  
Oil and gas

Semiconductor  
Industrial machinery

Growth potential

Growth potential  
Consumer confidence

Growth challenge

Optimistic

Neutral

Cautious

Growth potential

Growth potential  
Consumer confidence

Investment confidence

# Invibio® Biomaterial Solutions

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# Invibio Highlights

## *Progress despite challenging growth environment*

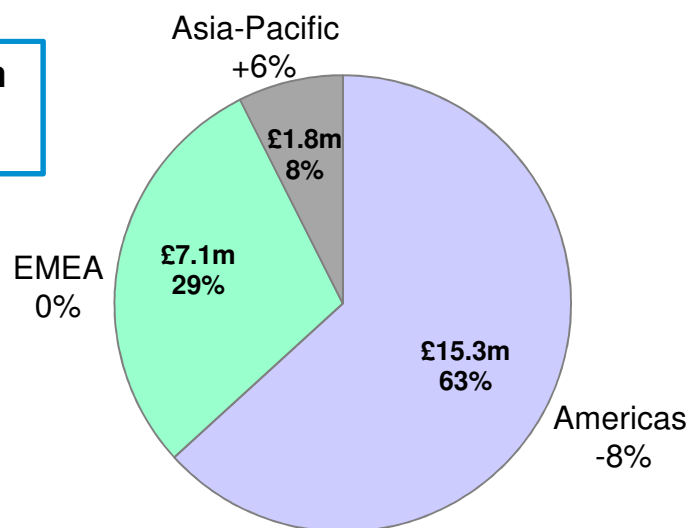
- Renewal of major US Spine contracts
- Growth in developing markets
- Further regulatory approvals in Asia
- Innovative new products launched in spine and dental

# Invibio - Key Markets

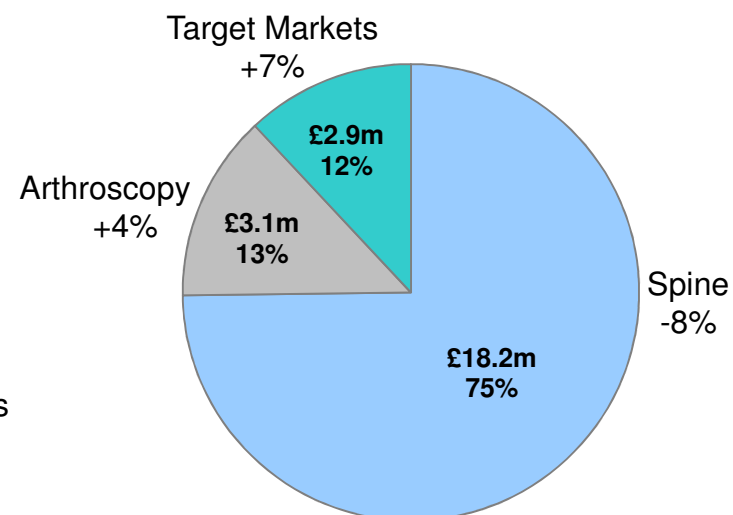
## Geographical

**H1 2013: £24.2m**

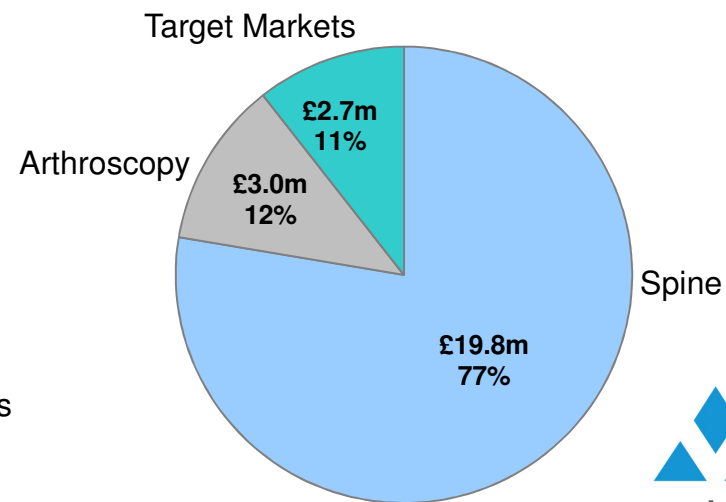
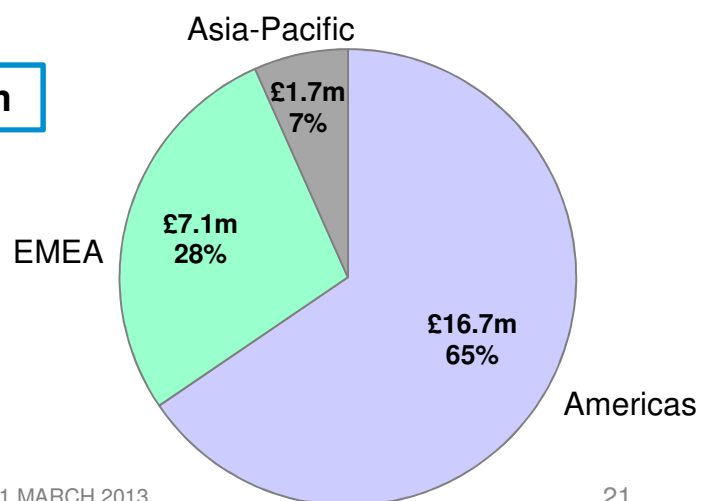
**-5%**



## Market



**H1 2012: £25.5m**

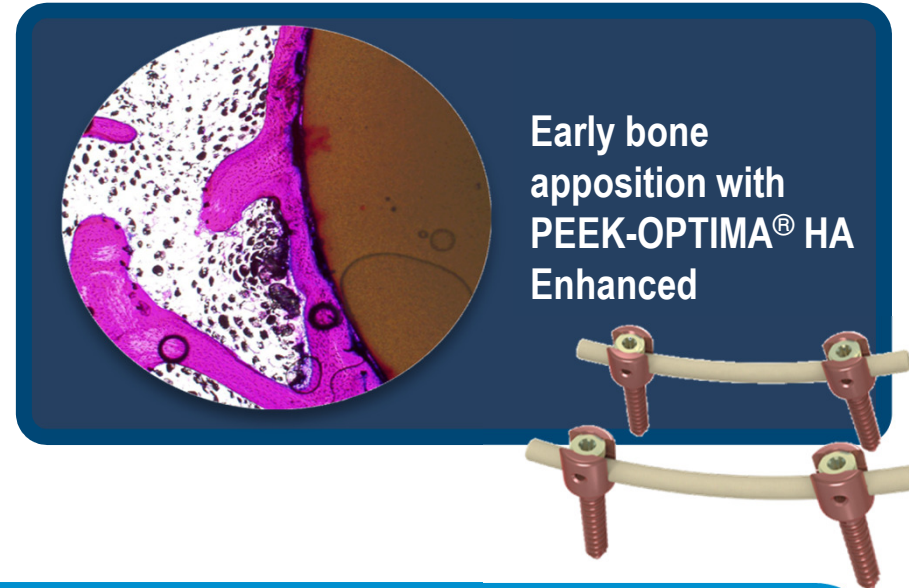


SIX MONTHS ENDED 31 MARCH 2013

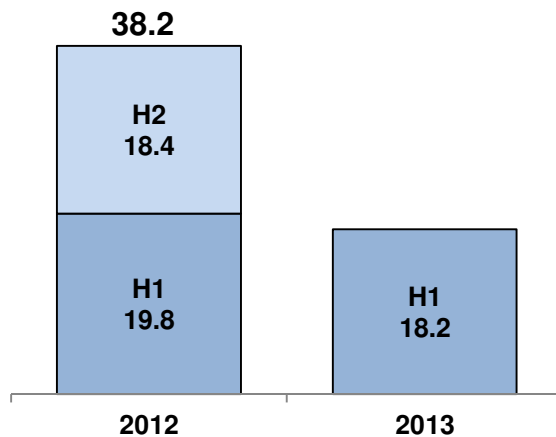
# Invibio Market Highlights - Spine

## Growth Drivers

- US procedures increasing but market value flat
- Fusion focus for spinal treatment
- Innovation to differentiate in fusion
- Growth rates of 25-35% projected for China and Brazil



## Revenue (£m)

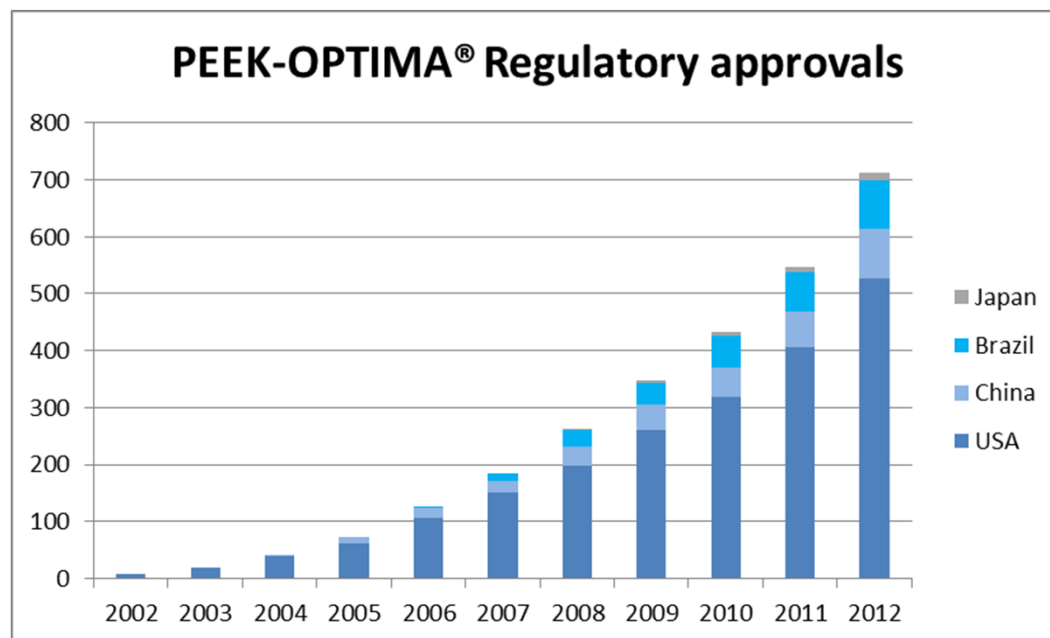


SIX MONTHS ENDED 31 MARCH 2013

## Industry status

- PEEK-OPTIMA HA Enhanced – customer evaluations and prototyping
- Growth opportunities in non-interbody (spinal rods)
- Regulatory progress in China, marketing initiatives commenced

# Invibio – Regulatory Progress



- Global regulatory expertise
- Approvals in key developing markets
- Approvals by Chinese domestic customers
- CE marked devices for European market

Country	Regulatory challenge	PO Approvals	Domestic customers
USA	Medium	526	+300
China	High	87	7
Brazil	Medium	85	7
Japan	Very High	15	2

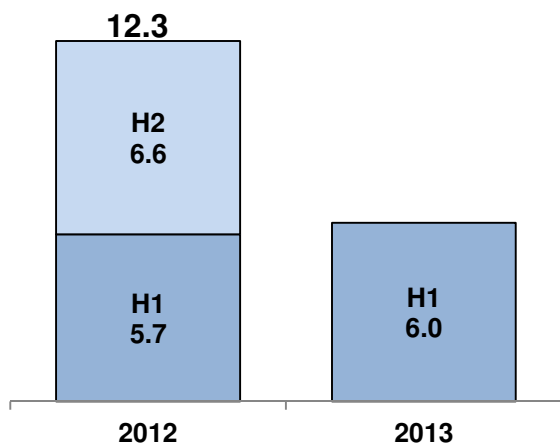
# Invibio Market Highlights - Developing Markets

## Growth Drivers

- Arthroscopy – Growing active ageing population
- Dentures – The Edentulous population is growing to almost 300 million
- Ortho/Trauma – Ageing population and obese population. Explosive growth expected in BIC



## Revenue (£m)



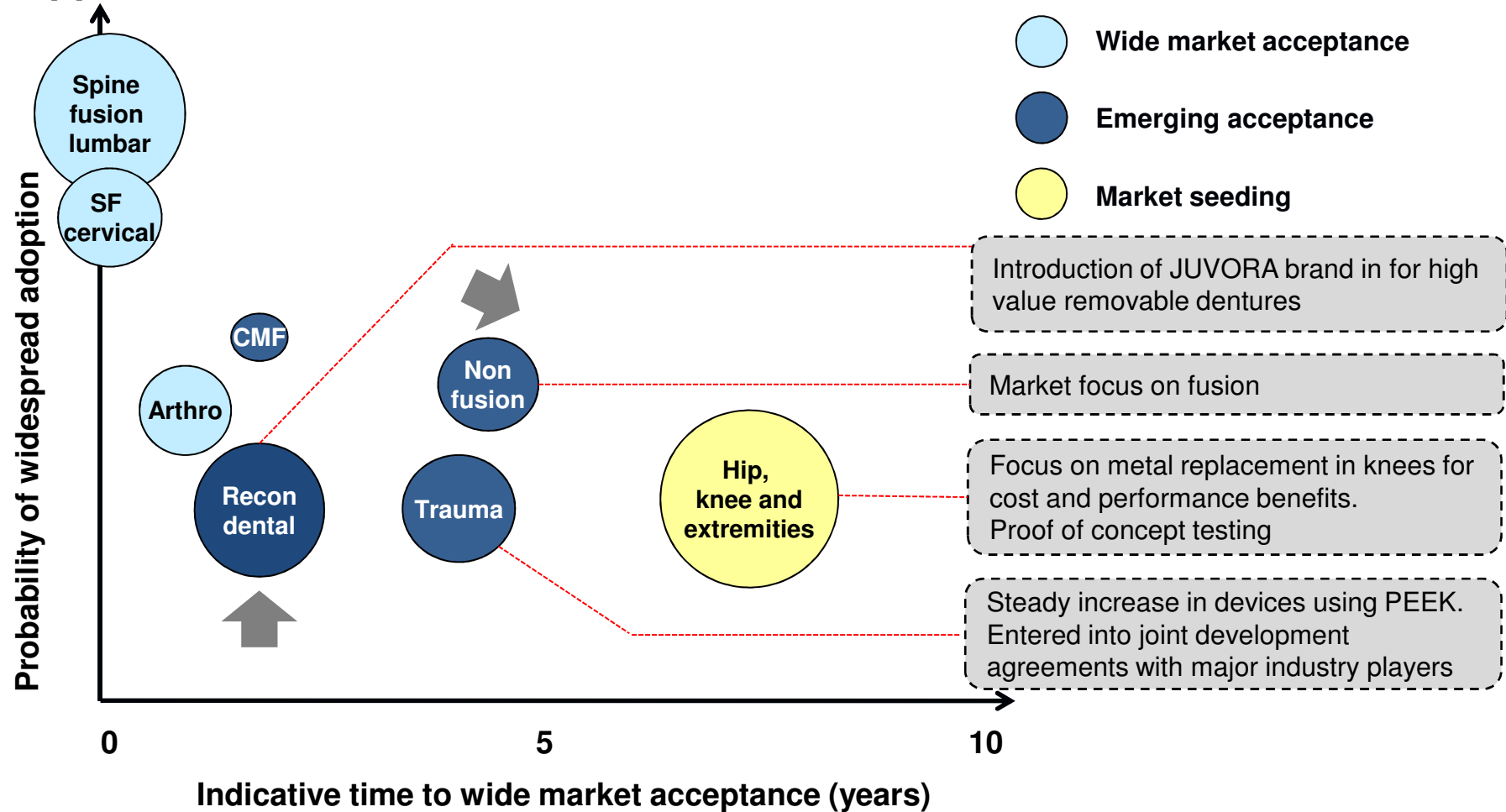
SIX MONTHS ENDED 31 MARCH 2013

## Industry status

- Arthroscopy:
  - 4% growth over prior year via strong share in shoulder market
- Dental:
  - JUVORA™ regulatory approval and launch
  - First clinical use and sales
- Trauma and Orthopaedics:
  - Evaluation programmes underway with major customers

# Invibio - Market Focus

## Application area and market focus



# Invibio Component Solutions



- Component based solutions to accelerate adoption and drive growth
- Focus on high incidence surgeries in which PEEK-OPTIMA offers clear benefits
- Provides opportunity to simplify spine supply chain
- Initial regulatory approval and revenues achieved for JUVORA and Trauma
- Focused on adoption through proven clinical benefits and patient preference
- Future investment opportunities

# Invibio - Outlook

## Regional view

Asia-Pacific

EMEA

Americas

Optimistic

Neutral

Cautious

## Global market view

Spine (new)  
Dentures

Arthroscopy

Spine (core)

Growth potential

Growth challenge

Growth challenge  
Inventory management

Optimistic

Neutral

Cautious

Growth potential

Growth potential  
New product introductions

Growth challenge

# Revenue

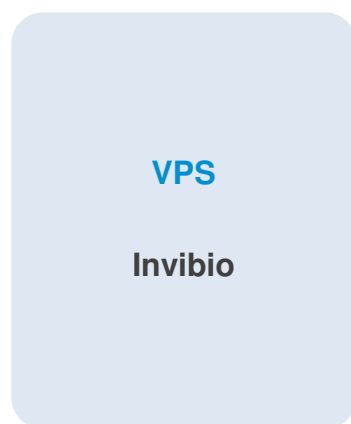
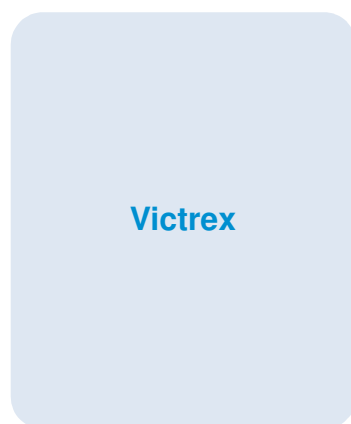
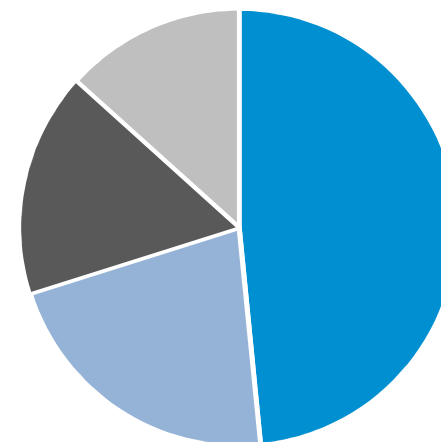
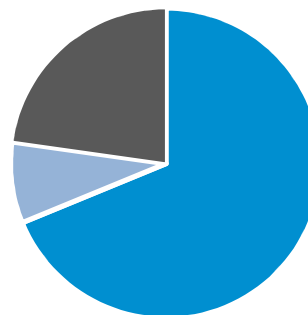
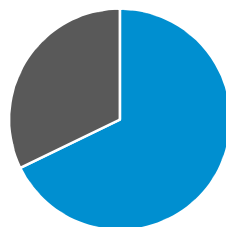
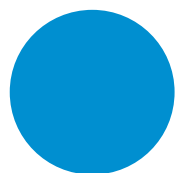
# Group Growth Story

2000

2009

2013

Future Vision



Note: Chart not to scale

SIX MONTHS ENDED 31 MARCH 2013

28



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## ***Focus***

- Driving volume growth
- Expanding product offerings
- Maintaining key metrics
- Making choices
- Investing for growth

## Disclaimer

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***Victrex's business and share price may be affected by a number of risks, trends, factors and uncertainties, not all of which are in our control.***

***Accordingly, actual results may differ materially from anticipated results because of a variety of risk factors, including: changes in exchange rates; changes in global, political, economic, business, competitive and market forces; changes in raw material pricing and availability; changes to legislation and tax rates; future business combinations or disposals; relations with customers and customer credit risk; events affecting international security, including global health issues and terrorism; changes in regulatory environment and the outcome of litigation.***